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May 29, 1992

Mr. Ralph Howard
U. S. Environmental Protection Agency
RCRA & Federal Facilities Branch
345 Courtland Street
Atlanta, Georgia 30365

RE: Medley Farm Site

Dear Mr. Howard:

By letter dated May 15, 1992, Mary Jane Norville, Esquire, Chairman of the Medley Farm Site Steering Committee, enclosed to you information from various potentially responsible parties to satisfy the financial assurance requirements under the Medley Farm Site Consent Decree. One of the documents sent to you was BASF Corporation's combined Financial Statements for the Years Ending December 31, 1990 and 1991 and Independent Auditors' Report.

Since forwarding this information to you, our client, BASF Corporation, has provided us with a Restated 1990-1991 Financial Statement and Independent Auditors' Report which we are enclosing to you with this letter. Please accept this document for filing along with those from other potentially responsible parties sent to you by Ms. Norville. Please also return to me the original Financial Statement and Independent Auditors' Report for BASF Corporation which was previously included with Ms. Norville's May 15, 1992 letter.

Please give me a call if you have any questions.

Sincerely,

OGLETREE, DEAKINS, NASH,
SMOAK AND STEWART

Phillip L. Conner

Phillip L. Conner

PLC:ddh

Enclosure

cc: Karen Gaynor Killeen, Esquire
Mary Jane Norville, Esquire

10730277

Deloitte & Touche

BASF CORPORATION AND BASF K&F CORPORATION

COMBINED FINANCIAL STATEMENTS FOR THE
YEARS ENDED DECEMBER 31, 1991 AND 1990 AND
INDEPENDENT AUDITORS' REPORT

BASF CORPORATION AND BASF K&F CORPORATION

COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 1991 AND 1990
AND INDEPENDENT AUDITORS' REPORT

TABLE OF CONTENTS

Deloitte & Touche

Two Hilton Court
P.O. Box 319
Parsippany, New Jersey 07054-0319
Telephone: (201) 631-7000
Facsimile: (201) 631-7459

INDEPENDENT AUDITORS' REPORT

BASF Corporation:

We have audited the accompanying combined financial statements of BASF Corporation and BASF K&F Corporation as of December 31, 1991 and 1990 and for the years then ended, listed in the foregoing table of contents (prepared on a historical cost basis). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such combined financial statements (1991, as restated) (prepared on a historical cost basis) present fairly, in all material respects, the financial position of BASF Corporation and BASF K&F Corporation at December 31, 1991 and 1990 and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 11 to the combined financial statements, changes in the reporting entity occurred during 1991 and, accordingly, the 1990 financial statements were restated for comparability. In addition, as discussed in Note 10 to the combined financial statements, BASF Corporation changed its method of calculating inventory costs in 1991.

Deloitte & Touche

January 27, 1992
(April 30, 1992 as to Note 15)

BASF CORPORATION AND BASF K&F CORPORATION

COMBINED BALANCE SHEETS
DECEMBER 31, 1991 AND 1990
(Dollars in thousands)

ASSETS	1991	1990
CURRENT ASSETS:		
Cash and cash equivalents	$ 20,640	$ 28,480
Trade receivables, less allowance for doubtful accounts of $32,653/$32,786	643,803	708,659
Notes receivable	137,240	142,604
Inventories	771,321	669,690
Prepaid expenses and other receivables	202,533	318,247
Total current assets	1,775,537	1,867,680
INVESTMENTS	29,377	27,314
PROPERTY, PLANT AND EQUIPMENT:		
Land and buildings	674,448	590,360
Machinery and equipment	3,082,888	2,786,763
Construction in progress	674,368	483,736
	4,431,704	3,860,859
Less accumulated depreciation and amortization	2,452,954	2,179,895
Property, plant and equipment - net	1,978,750	1,680,964
INTANGIBLE ASSETS NET OF ACCUMULATED AMORTIZATION OF $73,058/$69,415	35,925	44,319
OTHER ASSETS	23,398	23,778
TOTAL	$3,842,987	$3,644,055

LIABILITIES AND SHAREHOLDERS' EQUITY	1991	1990
CURRENT LIABILITIES:		
Trade notes and accounts payable	$ 512,881	$ 524,628
Short-term debt including current portion of long-term debt	458,790	195,603
Accrued taxes on income	10,682	49,238
Accrued payroll and other expenses	410,838	349,966
Accrued pension, interest and other liabilities	69,782	58,417
Total current liabilities	1,462,973	1,177,852
POSTRETIREMENT BENEFITS AND OTHER LONG-TERM LIABILITIES	315,658	299,859
LONG-TERM DEBT	855,516	916,531
DEFERRED INCOME TAXES	-	1,046
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
BASF Corporation	1,023,258	1,088,509
BASF K&F Corporation	185,582	160,258
Total shareholders' equity	1,208,840	1,248,767
TOTAL	$3,842,987	$3,644,055

See Notes to Combined Financial Statements.

BASF CORPORATION AND BASF K&F CORPORATION

STATEMENTS OF COMBINED INCOME
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990
(Dollars in thousands)

	1991 (AS RESTATED)	1990
REVENUES:		
Net sales, royalties and operating revenues	$4,852,958	$5,000,450
Interest	13,261	24,777
Total revenues	4,866,219	5,025,227
COSTS AND EXPENSES:		
Cost of products sold	3,492,271	3,592,837
Selling, administrative and general expense	1,225,140	1,160,386
Research and development expense	83,420	91,094
Interest	108,497	117,749
Capitalized interest	(35,705)	(27,333)
Total costs and expenses	4,873,623	4,934,733
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE TAXES AND MINORITY INTEREST	(7,404)	90,494
PROVISION FOR TAXES ON INCOME	26,493	36,595
INCOME/(LOSS) FROM CONTINUING OPERATIONS BEFORE MINORITY INTEREST	(33,897)	53,899
MINORITY INTEREST - AFFILIATE	(25,324)	(18,393)
INCOME/(LOSS) FROM CONTINUING OPERATIONS	(59,221)	35,506
DISCONTINUED OPERATIONS:		
Loss from discontinued operations (net of applicable income taxes of $659 and ($3,589))	(3,426)	(20,295)
Loss on disposal of discontinued operations (net of applicable income taxes of $0 and $17,928)	(37,429)	(13,592)
INCOME/(LOSS) BEFORE EXTRAORDINARY ITEM AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	(100,076)	1,619
EXTRAORDINARY TAX BENEFIT	-	1,557
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES (net of applicable income taxes of $0)	27,261	-
NET INCOME/(LOSS)	$ (72,815)	$ 3,176

See Notes to Combined Financial Statements.

BASF CORPORATION AND BASF K&F CORPORATION

STATEMENTS OF COMBINED CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990
(Dollars in thousands)

	1991	1990
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income/(loss)	$ (72,815)	$ 3,176
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	306,342	295,208
Amortization of intangible assets	11,859	23,894
Amortization of capitalized interest	12,486	10,304
Provisions for losses on accounts receivable, investments, and loans	7,044	7,055
Undistributed equity loss	2,922	1,176
Net loss on disposal of tangible fixed assets and investments	2,077	210
Loss/(gain) on disposal of discontinued operations	37,429	(4,336)
Increase in post-retirement and other long-term liabilities	15,799	17,887
Decrease/(increase) in trade receivables	57,812	(24,567)
(Increase)/decrease in inventories	(101,631)	11,687
(Increase) in prepaid expenses and other receivables	(5,554)	(77,843)
Decrease/(increase) in other assets	459	(217)
(Decrease)/increase in trade notes and accounts payable	(11,747)	61,350
(Decrease)/increase in accrued liabilities	(3,748)	51,659
(Decrease) in deferred income taxes	(1,046)	(494)
Increase in BASF K&F Corporation retained earnings due to restructure	25,324	22,871
Total Adjustments	355,827	395,844
NET CASH PROVIDED BY OPERATING ACTIVITIES	283,012	399,020
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property, plant and equipment	(582,772)	(520,218)
Additions to capitalized interest	(35,705)	(26,819)
Proceeds on disposal of tangible fixed assets and investments	9,365	19,332
Proceeds on disposal of discontinued operations	121,268	130,303
Increase in investments and intangible assets	(10,544)	(20,323)
Decrease/(increase) in notes receivable	5,364	(80,563)
NET CASH (USED IN) INVESTING ACTIVITIES	(493,024)	(498,288)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowing of long-term debt	27,041	1,038
Repayment of long-term debt, including current portion	(159,621)	(93,726)
Net borrowing/(repayment) of short-term debt, excluding current portion of long-term debt	334,752	(9,567)
Dividends paid	-	(85,000)
NET CASH PROVIDED BY/(USED IN) FINANCING ACTIVITIES	202,172	(187,255)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(7,840)	(286,523)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,480	315,003
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 20,640	$ 28,480

See Notes to Combined Financial Statements.

NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1991 AND 1990
(Dollars in thousands)

1. ACCOUNTING POLICIES:

Principles of Consolidation/Combination

The accompanying combined financial statements include the accounts of BASF Corporation which have been consolidated with the accounts of all of its significant subsidiaries and combined with the accounts of BASF K&F Corporation, the result of which is hereinafter referred to as the Corporation (see Note 11). All related intercompany transactions and accounts have been eliminated in the combined financial statements. All remaining subsidiaries are accounted for using the equity or cost method based upon worldwide direction of BASF Aktiengesellschaft (BASF AG) (see Note 8).

Cash and Cash Equivalents

Cash in excess of daily requirements is invested in highly liquid debt instruments with maturities of three months or less. Such investments are deemed to be cash equivalents for purposes of the statements of cash flows.

Inventories

Inventories are stated at the lower of cost or market. Cost is generally determined on the last-in, first-out (LIFO) method. Market represents the lower of replacement cost or realizable value less selling and distribution expenses (see Notes 2 and 10).

Tangible Fixed Assets

Non oil and gas property, plant and equipment are stated at historical cost less accumulated depreciation. Additions, betterments, and renewals are capitalized. Maintenance and repair costs are charged to expense when incurred.

Depreciation of property, plant and equipment is computed based on the estimated useful lives of the various classes of assets using an accelerated method. Capitalized interest is amortized over the estimated useful lives of the related tangible fixed assets.

Intangible Assets

Acquired intangibles, including oil and gas rights, are carried at cost less accumulated amortization. Amortization is generally computed using the straight-line method over the lives of the lease contracts or the assets' estimated useful lives.

Continued...

(Dollars in thousands)

1. ACCOUNTING POLICIES: (Cont'd)

Oil and Gas Properties (See Note 12)

The Corporation follows the successful efforts method of accounting. Acquisition and development costs are capitalized. Exploratory well drilling costs are initially capitalized, but are charged to expense if the well is determined to be unsuccessful. Other exploratory costs are charged to expense when incurred. Dry hole costs associated with developing proven reserves are capitalized. Seismic costs and lease rental expenditures are charged to expense when incurred.

Depreciation and depletion of proven oil and gas properties is computed on the units of production method.

Gain or loss on the sale of oil and gas properties is recognized when the Corporation's entire interest in a property is sold or when the proceeds from partial sales exceed the book value for such property.

Income Tax (See Note 6)

It is the policy of BASFIN Corporation (the Parent company of BASF Corporation) to charge its tax consolidated subsidiaries a tax expense and liability equal to the United States statutory rate on pretax income; no benefit is credited for losses related to such subsidiaries. Provisions related to the combined company and foreign non-tax consolidated subsidiaries are determined based upon local guidelines.

Deferred taxes relate to timing differences at the Corporation's foreign subsidiary.

2. INVENTORIES:

It is impractical to separate inventory amounts between raw materials, work-in-process, and finished goods due to the use of LIFO valuation pools. Inventories at December 31, 1991 and 1990 consist of the following:

	1991	1990
Inventories on FIFO	$232,344	$193,082
Inventories on LIFO	538,977	476,608
	$771,321	$669,690

If the Corporation had used the FIFO method to value all inventories, the inventory value would have been higher by $156,628 and $143,359 at December 31, 1991 and 1990, respectively.

During 1991, reductions of certain inventory quantities resulted in the liquidation of certain LIFO inventory layers. The effect was to reduce net loss by $2,469.

Continued...

(Dollars in thousands)

3. LONG-TERM DEBT:

Long-term debt at December 31, 1991 and 1990 consisted of the following:

	1991	1990
Pollution control and industrial revenue bonds, with interest rates ranging from 3.97% to 9.50%, maturing at various dates through 2019	$ 91,793	$ 92,394
Notes payable, with interest rates ranging from 6.35% to 10.26%, maturing at various dates through 1993	34,733	65,231
Bankers acceptances, with interest rates ranging from 10.39% to 10.44%, maturing in 1991 and 1993	25,924	51,946
Promissory notes to affiliate, with interest rates ranging from 6.06% to 9.84%, maturing at various dates through 2001	528,380	527,263
Swap loans from affiliate, with interest rates ranging from 4.69% to 10.77%, maturing at various dates through 1996	257,124	333,700
Total	937,954	1,070,534
Less amount due within one year (included in short-term debt)	82,438	154,003
Total long-term debt	$855,516	$ 916,531

The Corporation is in compliance with all covenants of its loan agreements.

As of December 31, 1991, the Corporation has long-term borrowings maturing over the next five years as follows:

1992	1993	1994	1995	1996
$82,438	$107,616	$66,917	$36,364	$335,387

4. SHAREHOLDERS' EQUITY:

Shareholders' equity consists of the following at December 31, 1991 and 1990:

	1991	1990
BASF Corporation		
Common stock, $1.00 par value, 1,000 shares authorized, issued and outstanding	$ 1	$ 1
Additional paid-in capital	1,023,618	1,016,054
Retained earnings (deficit)	(361)	72,454
Total	$1,023,258	$1,088,509

Continued...

(Dollars in thousands)

4. SHAREHOLDERS' EQUITY (Cont'd)

	1991	1990
BASF K&F Corporation		
Common stock, $1.00 par value, 240,000 shares authorized, issued and outstanding	$ 240	$ 240
Additional paid-in capital	92,344	92,344
Retained earnings	92,998	67,674
Total	$ 185,582	$ 160,258

Common stock of BASF Corporation and of BASF K&F Corporation at December 31, 1991 and 1990 were determined as follows:

	BASF Corporation	BASF K&F Corporation
Balance, January 1, 1990	$ 1	$ 491
Repurchase and retirement of shares (see Note 11)		(251)
Balance, December 31, 1990	$ 1	$ 240
Balance, December 31, 1991	$ 1	$ 240

Additional paid-in capital of BASF Corporation and of BASF K&F Corporation at December 31, 1991 and 1990 were determined as follows:

	BASF Corporation	BASF K&F Corporation
Balance, January 1, 1990	$1,016,054	$ 189,074
Repurchase and retirement of shares (see Note 11)	-	96,730
Balance, December 31, 1990	1,016,054	92,344
Asset transfer from parent company	7,564	-
Balance, December 31, 1991	$1,023,618	$ 92,344

Continued...

(Dollars in thousands)

4. SHAREHOLDERS' EQUITY (Cont'd)

Retained earnings (deficit) of BASF Corporation and of BASF K&F Corporation at December 31, 1991 and 1990 were determined as follows:

	BASF Corporation	BASF K&F Corporation
Balance, January 1, 1990	$ 154,278	$ 11,329
Repurchase and retirement of shares (see Note 11)	-	(5,796)
Net income	3,176	62,141
Dividends	(85,000)	-
Balance, December 31, 1990	72,454	67,674
Net Income (Loss)	(72,815)	25,324
Balance, December 31, 1991	$ (361)	$ 92,998

The aforementioned adjustments for the repurchase and the retirement of BASF K&F Corporation's shares have been presented as if the transaction discussed in Note 11 occurred during 1990.

5. PENSION AND POSTRETIREMENT BENEFITS:

Pension Benefits

The Corporation has several pension plans covering substantially all employees. The plan benefits are primarily based upon the employee's final average earnings and years of credited service, or on a flat dollar amount on a unit benefit formula.

Net pension expense for the years ended December 31, 1991 and 1990 included the following components:

	1991	1990
Service cost - benefit earned during period	$ 35,026	$ 35,891
Interest cost on projected benefit obligations	71,193	66,969
Return on assets	(86,908)	(80,230)
Net amortization and deferral	5,165	2,603
Direct payments	1,119	-
Net pension expense	$ 25,595	$ 25,233

Continued...

(Dollars in thousands)

5. PENSION AND POSTRETIREMENT BENEFITS (Cont'd)

The following table sets forth the plans' funded status and amounts recognized in the Corporation's combined balance sheets at December 31, 1991 and 1990:

	1991	1990
Accumulated benefit obligation	$ 720,209	$ 650,761
Vested benefit obligation	$ 693,017	$ 639,248
Projected benefit obligation	$(957,471)	$(864,364)
Plan assets at fair value	973,861	789,873
Unrecognized net (gain)/loss	1,244	75,182
Unrecognized prior service cost - plan consolidation	36,240	39,871
Unamortized net assets	(20,245)	(21,554)
Pension asset	$ 33,629	$ 19,008

The following rates were used to determine the expected returns on assets and the actuarial present value of the benefit obligation as of December 31, 1991 and 1990:

	1991	1990
Rate of return on assets	10.0%	10.0%
Discount rate	8.0%	8.5%
Future compensation changes	6.0%	6.5%

The Corporation's funding policy is to accumulate plan assets which will equal or exceed the present value of the accumulated plan benefits.

Postretirement Benefits

In addition to providing pension benefits, the Corporation provides certain health care and life insurance benefits for retired employees. Substantially all of the Corporation's employees may become eligible for these benefits upon reaching normal retirement age while working for the Corporation. The plan benefits, which are primarily based upon the employee's years of credited service, are funded through a Voluntary Employees' Beneficiary Association (VEBA). The VEBA maintains plan assets under a trust agreement and such assets are represented by a percentage ownership of a commingled trust fund held by the trustee.

The Corporation accounts for such costs in accordance with SFAS 106, Employers' Accounting for Postretirement Benefits. Actuarial gains/losses and the effects from plan amendments are deferred and amortized accordingly.

Continued...

(Dollars in thousands)

Postretirement Benefits (Cont'd)

The following table summarizes key information related to the U.S. plans' liabilities and balance sheet position as of December 31, 1991 and 1990:

	1991	1990
Vested postretirement benefit limitation	$300,260	$252,397
Accumulated postretirement benefit obligation	$394,278	$338,372
Plan assets at fair value	(9,133)	-
Unrecognized prior service cost	(23,425)	(25,378)
Deferred loss	(19,840)	-
Unrecognized loss	(35,611)	(26,551)
Postretirement liability	$306,269	$286,443
Future compensation change (for life insurance)	6.0%	6.5%
Discount rate	8.0%	8.5%
Health care cost trend rate	6.0%	6.0%
Effect of 1% increase in health care cost rate:		
Periodic postretirement expense	$ 4,681	$ 4,281
Accumulated postretirement benefit obligation	$ 46,194	$ 38,348

Postretirement expense for the years ended December 31, 1991 and 1990 included the following components:

	1991	1990
Service cost	$ 8,588	$ 9,009
Interest on accumulated postretirement benefit obligation	29,026	26,418
Net amortization	2,910	2,397
Postretirement expense	$ 40,524	$ 37,824

Continued...

(Dollars in thousands)

6. TAXES ON INCOME:

The income/(loss) from continuing operations before taxes and minority interest for the tax consolidated subsidiaries (see Note 1) is as follows:

	1991	1990
Income/(loss) from continuing operations before taxes and minority interest	$ (7,404)	$90,494
Income before taxes of the separate taxpayers	75,659	63,279
Income/(loss) before taxes of the tax consolidated subsidiaries	(83,063)	27,215
State income taxes/(benefit)	(1,306)	6,707
Income/(loss) of the tax consolidated subsidiaries	$(84,369)	$20,508

Provisions for federal income taxes differ from the amount computed by applying the statutory federal income tax rate of 34% for 1991 and 1990. The reasons for the differences are as follows:

	1991	1990
U.S. tax/(benefit) at statutory rate	$(28,685)	$ 6,973
Effect of tax sharing policy	28,685	(6,973)
State & local tax/(benefit) of the tax consolidated subsidiaries	(1,306)	6,707
Taxes of the separate taxpayers	27,323	24,469
Other	476	5,419
Provision for taxes on income	$ 26,493	$36,595

At December 31, 1991 and 1990, the Corporation has deferred book and tax benefit carryovers as follows:

	1991		1990	
	Per Books	Per Tax	Per Books	Per Tax
Deferred benefits	$ 7,751	$ -	$ 4,379	$ -

Deferred income taxes at December 31, 1990 of $1,046 relates to timing differences at the Corporation's foreign subsidiary, principally arising from the use of accelerated methods of depreciating fixed assets for tax purposes.

Continued...

(Dollars in thousands)

7. LEASES:

The Corporation leases office and warehouse space, machinery and equipment, including automobiles and tank cars. These non-cancelable leases are classified as operating leases and expire at various dates through 2007. Certain leases contain renewal options at similar or reduced annual rentals for periods which vary from one month to ten years. Rental expenses for the years ended December 31, 1991 and 1990 were $59,846 and $63,759, respectively.

As of December 31, 1991, the Corporation had minimum lease commitments as follows:

1992	1993	1994	1995	1996	Remainder	Total
$46,977	$33,076	$22,704	$13,949	$8,882	$31,348	$156,936

8. TRANSACTIONS WITH AFFILIATES:

BASF Corporation is a wholly-owned subsidiary of BASFIN Corporation, which is a wholly-owned subsidiary of BASF AG. BASF K&F Corporation is a wholly-owned subsidiary of Knoll Aktiengesellschaft (Knoll AG), which is a directly-owned subsidiary of BASF AG. The Corporation's operations include transactions with BASF AG, Knoll AG, and other affiliates which have been entered into by the companies in compliance with overall policy decisions of the BASF Group.

Transactions with affiliates which are not detailed elsewhere in the financial statements are as follows:

	Year Ended December 31, 1991	Year Ended December 31, 1990
Net sales, royalties and operating revenues	$335,539	$336,902
Interest income	9,737	12,562
Purchases	660,864	649,090
Interest expense	86,840	96,173
Other expense - net	70,125	75,805
Trade receivables	58,541	101,014
Notes receivable	135,192	138,654
Inventory content	191,048	156,721
Prepaid expenses and other receivables	56,069	43,819
Investments	29,377	27,314
Other assets	15,800	15,800
Trade notes and accounts payable	179,824	175,607
Short-term debt including current portion of long-term debt	81,800	141,510
Accrued expenses	8,290	10,104
Accrued interest and other liabilities	2,306	288

Continued...

9. COMMITMENTS AND CONTINGENCIES:

The Corporation is a party to various legal actions arising in the ordinary course of business. While it is not feasible to predict the ultimate outcome of these actions, it is the opinion of management that the resolution of these matters will not have a material adverse effect on the financial position of the Corporation.

The Corporation is party to a guarantee through an equity affiliate for industrial development revenue and pollution control revenue bonds in the amount of $4,240.

In addition, in the normal course of business, the Corporation incurs financial commitments arising from negotiated contracts and started capital expenditure projects. The total of such commitments as of December 31, 1991 and 1990 is $154,078 and $111,290, respectively.

Letters of credit of $101,550 have been issued on behalf of the Corporation.

10. CHANGE IN ACCOUNTING METHOD:

As of December 31, 1991 in order to obtain a better matching of cost and revenue, to conform all business units to the same method and in order to conform to the policy of BASF AG, the Corporation changed its method of calculating inventory LIFO costs to include depreciation for those business units which previously excluded such costs from its calculation. The cumulative effect of the change reduced the net loss for the year ended December 31, 1991 by $27,261. There was no significant effect from this change on the income/(loss) from continuing operations for the years ended December 31, 1990 or 1991.

11. CHANGES IN REPORTING ENTITY:

At December 30, 1991 BASF Corporation sold to BASF K&F Corporation its 51.16% investment in such corporation (represented by 251,000 shares of common stock) for book value. BASF K&F Corporation issued a callable five (5) year interest bearing note as payment for this transaction.

The financial statements of BASF K&F Corporation, which were previously consolidated with those of BASF Corporation, are combined with those of BASF Corporation as of December 31, 1991. BASF Corporation and BASF K&F Corporation, both of which are ultimately owned by BASF Aktiengesellschaft, are combined in order to present the North American operations. Accordingly, the financial statements for the year December 31, 1990 have been restated to combine BASF Corporation and BASF K&F Corporation. Such accompanying combined financial statements for the year ended December 31, 1990 are presented as if the repurchase and retirement of BASF K&F Corporation's shares on December 30, 1991 took place on December 30, 1990.

Continued...

(Dollars in thousands)

11. CHANGES IN REPORTING ENTITY (Cont'd)

BASF Bioresearch Corporation, a wholly-owned subsidiary of BASF Corporation, was carried as an investment at historical cost in prior years. Effective January 1, 1991, the financial statements of BASF Bioresearch Corporation are consolidated with those of BASF Corporation. Accordingly, the financial statements for the year ended December 31, 1990 have been restated to conform to the 1991 presentation. The effect of this restatement is to increase net income by $1,020 for the year ended December 31, 1990.

12. DISCONTINUED OPERATIONS:

As of December 31, 1990, the Corporation sold substantially all of the assets of its flavor, fragrance, packaging and commercial inks operations for $251,571, of which $121,268 was outstanding at December 31, 1990. There is no outstanding amount due as of December 31, 1991.

During 1991 the Corporation announced its plans to offer for sale its oil and gas subsidiary. The accompanying combined financial statements reflect the operating results of this discontinued operation separately from continuing operations.

Summarized results of operations and financial position data of the discontinued operations included in the accompanying combined financial statements are as follows:

	1991	1990
Total revenues	$109,285	$390,744
Current assets	$ 23,416	$ 27,405
Net property, plant and equipment	88,927	101,763
Other assets	11,302	11,349
Total liabilities	(64,097)	(37,771)
Net assets of discontinued operations	$ 59,548	$102,746

13. OTHER ITEMS:

o Cash paid during the years ended December 31, 1991 and 1990 for interest and income taxes approximated the following amounts:

	1991	1990
Interest	$112,222	$163,464
Income taxes	33,773	45,855

Continued...

13. OTHER ITEMS (Cont'd)

- The Corporation realized extraordinary tax credits, net of minority interest, of $1,557 through December 31, 1990, resulting from the realization of prior years' tax benefits not previously recognized for financial statement purposes.

- In 1990 and 1991 the Corporation closed various locations and relocated the business operations to other areas of the Corporation. Accordingly, the income/(loss) from continuing operations included charges of $33,370 and $30,248 for the various site shutdowns and relocations for the years ended December 31, 1991 and 1990, respectively.

14. SUBSEQUENT EVENT

On January 16, 1992 the Corporation signed a letter of intent to purchase Mobil Chemical Company's polystyrene resin business. The proposed acquisition is subject to regulatory clearance as well as approval from the boards of directors of both parties. The transaction is tentatively scheduled to be completed in the second quarter of 1992.

15. RESTATEMENT

The accompanying combined financial statements for the year ended December 31, 1991 have been restated to reclassify certain expenses. The reclassification was prepared in order to present the components of the costs and expenses category of the Statement of Combined Loss on a consistent basis and has no effect on total costs and expenses nor on the loss from continuing operations.

- Concluded -